



ITALY BEST PROSPECT INDUSTRY SECTOR PROFILE

Sector Name: **COMPUTER SOFTWARE**

ITA Industry Code: CSW

The value of the Italian computer software market is estimated at over \$3 billion and continues to be one of the largest in Europe. Application software accounts for approximately 60 percent of the total market, and systems software for 40 percent (with middleware accounting for approximately 63 percent of systems software demand). The Italian software market in 2002 grew by 3 percent in Euro currency over 2001, higher than in most Western European countries. Nevertheless, this represents a slowdown when compared to the +10 percent growth in 2001 and +14 percent in 2000. Of the two sectors, application software reported higher growth, with an increase of 4 percent. The overall performance of systems software sector was stable (+1 percent), as it countered the negative growth of systems software (-6 percent) with a marked increase in middleware (+6 percent).

Large to medium-sized businesses and the Italian banking sector, continue to be the primary IT spenders in Italy even as they report a fall in demand (-0.8 percent). Italian firms, concerned about improving the internal flow of information, streamlining customer relationships, and expanding their markets, are increasingly investing in enterprise resource planning (ERP), supply chain management (SCM), customer relationship management (CRM), and e-commerce applications. The Italian banking sector, which has been the most active in investing in new technologies, is focusing on delivery channels to give customers greater access to their banking services.

Italy is in the early phase of adopting IT security technologies. Most companies are still only at the firewall and virus level of IT security, and are starting to become aware of their own levels of internal risks, such that they can justify additional spending. This creates opportunities for U.S. firms experienced with more advanced types of security situations and their solutions. U.S. suppliers should also note that the public administration sector is a large investor in IT, and will remain so in the coming years as it continues to increase and improve its online services and advance Italy's information society.

Market analysts forecast a cycle of relative growth for software even as the total IT market is showing signs of further downturn. Italy relies heavily on foreign production of software, which account for 75 percent of the total market. The United States is the leading exporter of multiple platform and application software, with a share of over 80 percent of imports. Once the economic climate improves, U.S. software should be among the main beneficiaries as the market recognizes the supremacy and innovative quality of American products.

Data Table:

(USD Millions)	2001 (actual)	2002 (actual)	2003 (estimated)
Total Market Size	3,400	3,700	3,687
Total Local Production*	2,162	2,348	2,341
Total Exports	427	463	460
Total Imports	1,665	1,815	1,807
Imports from US **	1,374	1,452	1,481
Exchange rate \$1=euro	1.117	1.057	0.877

The above statistics are unofficial estimates.

***Sales by Italian subsidiaries of U.S. companies are included in Total Local Production and include sales to the captive market.**

****Imports from U.S. refer to direct sales from U.S.-based suppliers or through Italian distributors.**